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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/491,388	01/26/2000	Robert Cadoux	99629	8477

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EXAMINER	
BELL, PAUL A	

ART UNIT	PAPER NUMBER
3628	

DATE MAILED: 01/27/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/491,388	CADOUX, ROBERT	
	Examiner	Art Unit	
	PAUL A BELL	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *10 September 2004*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-26* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-26* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Claim Rejections - 35 USC § 112

1. The following is a quotation of the **first paragraph** of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

2. Claims 1 – 26 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention.

Claim 1 has specific language such as the word "initial" introduced by amendment on 12 August 2002 that does not have direct support in the original specification and claims for this word being used this way. For example in the "Field of Invention" section it broadly states; "The present invention relates generally to method for publicly offering stock". The abstract , all of the figures 1-3 and all of the original claims have no mention of the word "initial". For instance the examiner can not find direct support for the claim 1 phrase, "and offering a second portion of the shares of the initial public offering". A simple solution to this 112 1P problem would be to remove all citations of the word "initial" from the claims. However it may be ok to use the word "initial" when referring to the very first time the stock is sold to the public but after that it is best to use the more traditional phases such as "secondary public offerings" or

"follow-on public offering". With regard to claim 15 it has the same problem with the use of the word "initial".

3. The following is a quotation of the **second paragraph** of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

4. Claims 1-26 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Where applicant acts as his or her own lexicographer to specifically define a term of a claim contrary to its ordinary meaning, the written description must clearly redefine the claim term and set forth the uncommon definition so as to put one reasonably skilled in the art on notice that the applicant intended to so redefine that claim term. *Process Control Corp. v. HydReclaim Corp.*, 190 F.3d 1350, 1357, 52 USPQ2d 1029, 1033 (Fed. Cir. 1999). The term "initial", in claims 1 and 15 is used by the claim to mean "offering a second portion of the shares.... after a first trading interval after the offering of the first portion, while the accepted meaning is, "only the very first (initial) time a company releases its stock to the public can you call the event in time "initial public offering". Any stock sold by a company after "a trading interval" of the stock, be it arbitrary a day , a week, a month or years is commonly called a secondary public offering or a follow-on public offering. The repeated use of the word "initial" in the context of the claim is creating confusion because it appears to be different distinctive events in time that are repeatably being referred as "initial". The term is indefinite

because the specification does not clearly redefine the term. And further federal security regulations require a certain legal definition of what is a "Initial public offering" and therefore not expectable to redefine its meaning.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

6. Claims 1-26 are rejected under 35 U.S.C. 103(a) as being unpatentable over Gordon S. Macklin et al., ("Going Public and the Nasdaq Market", The NASDAQ Handbook- 1992 edition) in view of applicants admitted prior art in the DESCRIPTION OF THE BACKGROUND section in case 09/491,388.

With regard to claim 1, Macklin et al. teaches **a method** implemented at least in part with a computer network, for offering shares of stock of a privately-held company to the public as part of an initial public offering

(SEE Macklin et al. page 100 "Basic Offering Issues" SECTION and wherein it is well known that the NASDAQ market conducts its business over a computer network),

comprising: offering **a first portion** of the shares of the stock of the initial public offering to public investors at **a first price**; and offering **a second portion** of the shares of the initial public offering to public investors at **a second price** after **a first trading**

interval of a first predetermined and pre-disclosed time period after the offering of the first portion, wherein the first portion of the shares and the second portion of the shares are owned by the privately-held company

(SEE Macklin et al. page 103 second paragraph where the above features are completely disclosed;

"Many companies have successfully pursued a "**seasoning strategy** (or a method) ," which involves **a small IPO** (or a first portion) and, sometime afterward, a **larger follow-on offering** (or second portion). This strategy can be particularly effective when the company's IPO valuation is under pressure because of difficult market conditions or because the company is not well known and is perceived as higher risk. The company can structure a small IPO at **a conservative valuation** (or a first price) and allow the stock to become better known in the investment community. **As the stock prices appreciate** (or a first trading interval) due to improving market conditions or as the company builds credibility with investors, the company can structure a larger follow-on offering at **a higher valuation** (or a second price)."),

wherein at least some communications regarding the offering of the first and second portions of the shares are made via the computer network (Inherent feature because business such as the trading of shares is conducted over a computer network at the NASDAQ market and federal security regulations require a company to prepare a offering memorandum before each offering),

Macklin et al. does not directly show the details "wherein a pricing procedure for the second portion of the shares is pre-disclosed prior to the first offering" .

However Macklin does suggest the essential need for these above features, when he suggested that companies do offer small Initial Public Offering with the **pre-intensions** of latter selling a larger secondary offering (SEE Macklin et al. page 103 "SEASONING STRATEGY").

And in view of Applicants own admitted prior art wherein he teaches on page 3;

"Rather, the share price for a secondary offering is contingent upon prior trading, and cannot be established by other pricing models such as the Dutch auction method."

"Moreover, federal security regulations **require** a company to prepare a second offering memorandum before the secondary offering".

It would have been obvious to one of ordinary skill in the art at the time the invention was made to "pre-disclosed prior to the first offering a pricing procedure for the second portion" as suggested by Macklin et al. because to do so would have been merely directed towards the "OBVIOUS INTENDED USE" of the Macklin et al. "SEASONING STRATEGY". For example a company who used the "seasoning strategy" would have been inherently capable of submitting the paper work for both the initial and secondary offerings at the same time to federal security regulators and the company would have been **motivated** to be up front about their intensions to use the "seasoning strategy" in an effort to avoid possible Share holder investor law suits. In these required papers filed with regard to the initial offering and the secondary offering the company would have been required to state "a pricing procedure" for the first

portion sold which would have been some fixed price logically determined by some known means of the current estimated value of the company which is regularly done for an IPO. With regards to "a pricing procedure" for the secondary offering the person filling out the required forms would have simply wrote down something to the effect "the price of the secondary offering (or second portion) will be equal to the price at which the stock was trading on the public ally traded open markets at the time the follow-on is offered" and further what else could the secondary price possibly be? If not by actual market means.

With regard to claim 2 the combination of Macklin and admitted prior art suggest the method of claim 1, wherein offering the second portion of the shares includes offering the second portion of the shares at a second price equal to the first price (SEE Macklin et al. Since the second price for the second portion is dependent on what ever the public market makes it in the "SEASONING STRATEGY" making it equal is just one of many possible prices the market is capable of making it).

With regard to claim 3 the combination of Macklin and admitted prior art suggest the method of claim 1, wherein offering the second portion of the shares includes offering a second portion of the shares equal in number to the first portion of the shares (SEE Macklin et al. page 103 wherein an mere example is given where the second portion is lager than the first portion there is no indication that this is required and therefore making the first portion equal to the second portion is an obvious option.)

With regard to claim 4 the combination of Macklin and admitted prior art suggest the method of claim 1, wherein offering the second portion of the shares includes

offering the second portion after a first trading interval of at least one hour after the offering of the first portion (SEE Macklin et al. page 103 wherein the "seasoning strategy" does not define any specific trading interval time between IPO and follow-on therefore one hour is within the range of obvious choices and note the papers on the theory of "under-pricing" sited in this action support this choice).

With regard to claim 5 the combination of Macklin and admitted prior art suggest the method of claim 4, wherein offering the second portion of the shares includes offering the second portion of the shares after a first trading interval of at least one day after the offering of the first portion(SEE Macklin et al. page 103 wherein the "seasoning strategy" does not define any specific trading interval time between IPO and follow-on therefore one day is within the range of obvious choices and note the papers on the theory of "under-pricing" sited in this action support this choice).

With regard to claim 6 the combination of Macklin and admitted prior art suggest the method of claim 1, wherein offering the second portion of the shares includes offering the second portion of the shares at a second price equal to a closing price of the first portion of the shares at an end of the first trading interval (SEE Macklin et al. Since the second price for the second portion is dependent on what ever the public market makes it in the "SEASONING STRATEGY" making it equal to a closing price of the first portion of the shares at an end of the first trading interval is just one of many possible prices the market is capable of making it).

With regard to claim 7 the combination of Macklin and admitted prior art suggest

7. (Currently Amended) The method of claim 1, wherein offering the first portion of

shares of the stock at a first price includes offering the first portion of the shares to a public investor via the computer network (SEE Macklin et al. wherein Since the Nasdaq market is used a first portion is capable of being offered to a public investor via the computer network)

With regard to claim 8 the combination of Macklin and admitted prior art suggest the method of claim 1, wherein offering the second portion of the shares at a second price includes offering the second portion of the shares to a public investor via a the computer network (SEE Macklin et al. wherein Since the Nasdaq market is used a second portion is capable of being offered to a public investor via the computer network)

With regard to claim 9 the combination of Macklin and admitted prior art suggest 9. (Original) The method of claim 1, further comprising offering a third portion of the shares at a third price after a second trading interval of a second predetermined time period after the offering of the second portion of the shares (SEE Macklin page 106 wherein the "Seasoning Strategy" illustrates a pattern of multiple offerings and further look at page 101; "However, Centocor attracted strong demand from investors during the IPO and in **several subsequent** public offering**S**" Therefore clearly offering a third portion is merely directed towards an obvious intended use of the "Seasoning Strategy).

With regard to claim 10 the combination of Macklin and admitted prior art suggest the method of claim 9, wherein offering the third portion of the shares includes offering the third portion of the shares after a second trading interval of a second predetermined time period equal in length to the first predetermined time period (SEE Macklin wherein the specific trading interval is not defined therefore making them all equal is within the

realm of obvious possibilities and further what ever trading interval pre-determed would have been documented in the required paper forms to avoid negative actions by stock holders or regulators).

With regard to claims 11-14 the combination of Macklin and admitted prior art was found in the above claims to suggest the claimed features of 11-14 because they are just extensions of the patterns of relations of first portion and second portion extended to a third portion because once the pattern is established it is obvious to extend it to a third portion, fourth portion and so forth.

With regard to claim 15 the combination of Macklin and admitted prior art was found in the above in claims 1-14 note especially claim 9 above to suggest all the features claimed in 15 for example "a plurality of serial offering stages" reads on the above first, second and third portion concepts shown above.

With regard to claim 16-18 the combination of Macklin and admitted prior art was found in the above claims to suggest the claimed features of 16-18, again its just an extension of the pattern of what is being done for first, second and third portions with regard to price and time intervals .

With regard to claims 20-26 the combination of Macklin and admitted prior art suggest the method of claim 1, further comprising, prior to offering the first portion of the shares: auctioning shares of the stock to at least one potential subscriber; and awarding an allotment of the shares to the potential subscriber at a first share price dependent upon a bid price of the potential subscriber during the auctioning for a quantity of the shares(SEE Admitted prior art. page 3-4 "Dutch auction method")

Response to Arguments

7. Applicant's arguments with respect to claims 1-26 have been considered but are moot in view of the new ground(s) of rejection.

Conclusion

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

(David C. Mauer et al.), "The Effect of the Secondary Market on the Pricing of the Initial Public Offerings : Theory and Evidence", JOURNAL OF FINAANCIAL AND QUANTITATIVE ANALYSIS" (VOL.27, No 1 March 1992). This paper provides a theoretical and empirical investigation of the role of the secondary market in the pricing of initial public offerings. They derive a price differential in the primary and secondary markets that is consistent with the received notion of IPO **under-pricing**.

(Gary D. Bruton et al.), "Strategy and IPO Market Selection : Implications for the Entrepreneurial Firm", JOURNAL OF SMALL BUSINESS MANAGEMENT; Oct 1997 pages 1-10. This paper teaches, "entrepreneurs may not be incorporating the potential impact of "**under-pricing**" of stock into their IPO decision-making (page 1)", "Under-pricing occurs when the offering price for stock is below the price for which the stock trades subsequently in the immediate after-market (page 1)", "The increase in stock value in the after-market benefits the investor, not the firm (page 2)". "The missed opportunity to obtain the full resources of the IPO may inhibit the future growth of the firm (page 2)"

(Christopher B. Barry et al.), "The Opening Price Performance of Initial Public Offerings of Common stock"; FINANCIAL MANAGEMENT, (Spring 1993. Vol. 22, Iss, 1; pg 54), This paper teaches; on page 55 left column "An alternative explanation leaves open the possibility of a large intraday return. Welch 30! develops the notion of informational **cascades** in which individuals ignore their private information and follow the behavior of the preceding individual. In the context of IPOs Welch's arguments suggest that an issue may be **under-priced** in order to induce decisions by early investors solicited to purchase a forthcoming IPO". Extending Welch's cascade arguments to the aftermarket suggest that those issues enjoying a larger than-average initial (offer-to-open) or early return would also enjoy a larger-than-average intraday return as investors attempt to "get on the bandwagon." Consistent with this view, evidence from experimental markets (e.g., Smith, Suchanek, and Williams 25!) suggests a tendency for speculative bubbles to develop in early trading rounds using a **double continuous-auction market-making scheme** and allowing demand to be determined endogenously. And on page 60 right side Barry et al. teaches; "Summing up, we find that the under-pricing of operating-company IPOs is a phenomenon that is largely restricted to the opening transaction. The **under-pricing** is almost entirely "corrected" by the market at the open. The price adjusts to an equilibrium value through the interaction of buyers with market-makers and dealers in a single transaction. That suggests one of two explanations. Either it is only necessary for market-makers and dealers to know a portion of the demand curve for the stock in order to establish an equilibrium price, or the process works (as the Walrasian auctioneer model suggests) in

such a way that the price-based demands listed by secondary market investors enable market-makers and dealers to learn sufficiently from the resulting price that no further "correction" is needed in the market (at least to within ordinary transactions costs), on average."

(John Affleck-Graves) Conditional Price Trends in the Aftermarket for Initial Public Offerings. Financial Management. Tampa: (Winter 1996 Vol.25, Iss. 4; pg. 25, 16 pgs). This paper teaches; "This result is important for several reasons. First, it provides additional evidence of trends in stocks prices. Second, many studies examining trends in stock prices document uni-directional trends following a public event. Our results are closer to those in the post earnings announcement drift literature in that they demonstrate, not only that short-term trends can follow public announcements, but that the direction of the trend can be conditional on the initial signal. Finally, for investors who obtain an initial allocation of shares at the offer price, our results suggest a profitable trading strategy. Specifically, for initially **under-priced** IPOs initial subscribers should hold their stock for at least one month (21 trading days) and possibly as long as three months after the offering. In contrast, for initially overpriced IPOs, initial subscribers should sell their issues as soon as possible in the aftermarket.

(Chester Spatt et al.) "Preplay Communication, Participation Restrictions, and efficiency in Initial Public Offerings", The Review of Financial Studies, Winter 1991. This paper teaches on page 710 "A single-stage posted-price mechanism does not utilize any information about realized buyer valuations in setting the issue price and is

generally inefficient (in the sense of not maximizing the seller's expected revenue subject to the informational constraints of the environment)."

(Hambrecht et al. U.S. Patent 6,629,082) This patent teaches In one aspect, the invention provides an auction system and method used in concert with an underwriting process. By re-thinking accepted underwriting practices, the new system and process levels the playing field for pricing and allocating equity securities. Unlike the traditional method of allowing entities such as investment bankers to negotiate the offering price, an auction system and process in accordance with the invention, employs a mathematical model that lets the market set a share price that is optimal for both the company and the purchasers of shares of stock in the company. The result is a price that eliminates traditional fixed discounts and better reflects what the market is truly willing to pay for the stock.

9. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Paul Bell whose telephone number is (703) 306-3019.

Information regarding the status of an application may be obtained from Patent Application Information Retrieval (PAIR) system, see http://pair-direct.uspto.gov. For help with PAIR call Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Any response to this action should be mailed to:

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Paul Bell
Art unit 3628
January 22, 2005

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